

**ARMSTRONG-RINGSTED  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2006

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**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**BOARD OF EDUCATION**

(Before September, 2005 Election)

Greg Blumm	President	2005
Lisa McConnell	Vice President	2005
Jay Grabinoski		2007
Greg Anderson		2006
Rick Steinberger		2006

(After September, 2005 Election)

Jay Grabinoski	President	2007
Greg Anderson	Vice President	2006
Rick Steinberger		2006
Marti Kindrick		2008
Rod Foster		2008

**SCHOOL OFFICIALS**

Robert Busch	Superintendent
Deb Obbink	District Secretary/ Treasurer

## Independent Auditor's Report

To The Board of Education of the  
Armstrong-Ringsted Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Armstrong-Ringsted Community School District, Armstrong, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Armstrong-Ringsted Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 11, 2007 on our consideration of Armstrong-Ringsted Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 29 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Armstrong-Ringsted Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report. The financial statements for the three years ended June 30, 2005 (none of which are presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**BRUCE D. FRINK**  
**Certified Public Accountant**

January 11, 2007

## **ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**

### **Management's Discussion and Analysis**

Armstrong-Ringsted Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2006 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$3,300,163 in fiscal 2005 to \$3,172,860 in fiscal 2006, while General Fund expenditures increased from \$3,186,048 in fiscal year 2005 to \$3,640,561 in fiscal 2006. The District's General Fund balance decreased from \$939,089 in fiscal 2005 to \$471,388 in fiscal 2006, a 50% decrease.
- Local tax revenues decreased by over \$300,000.
- Resident enrollment increased by 3.0 resident students, however, 8.0 students less were actually attending classes in the district. The District has 14 more students open enrolled in than open enrolled out.
- The District's solvency ratio was 15% at the end of fiscal 2006. The solvency ratio is indicative of the District's ability to meet its financial obligations. Recommended solvency ratio is commonly around 10%.
- The District's Capital Projects Fund grew by almost \$100,000 this year.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: management's discussion and analysis (this section), the financial statements and required supplementary information.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1  
Armstrong-Ringsted Community School District

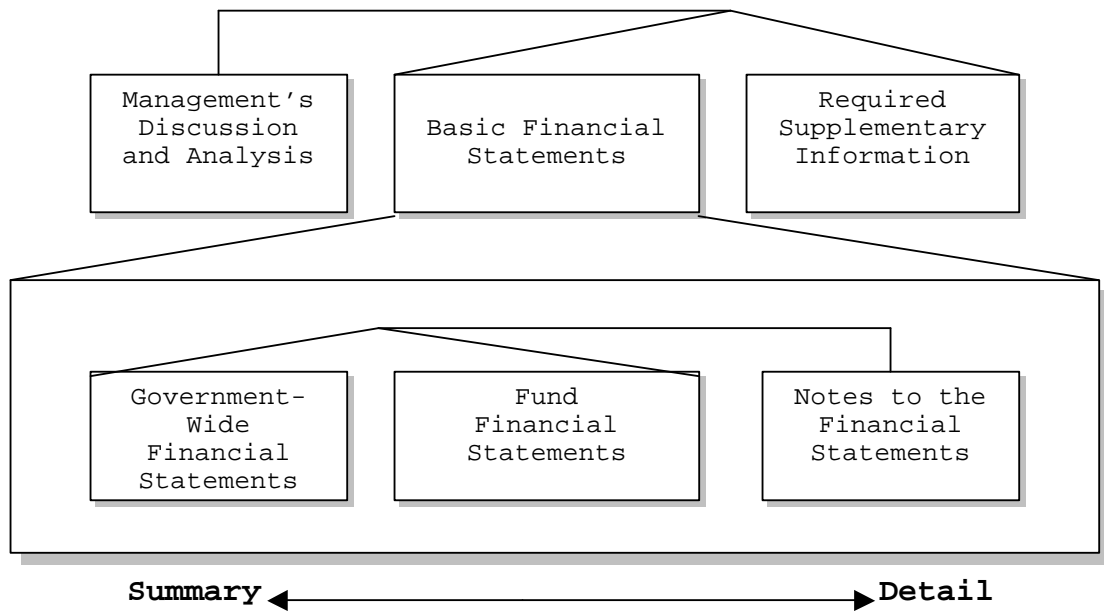


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain the remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2**

**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses; food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long- term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund. Most of the District's basic services are included here, such as regular education, special education, building and grounds maintenance, transportation, and administration. Most of these activities are funded with property taxes and state aid finance.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trusts.

- Agency Funds - The District holds money for outside groups in a custodial capacity.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-3  
Condensed Statement of Net Assets  
(expressed in thousands)

	Governmental Activities		Business Type Activities		Total School District		Percentage Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
	\$	\$	\$	\$	\$	\$	
Current assets	3,024	3,299	34	22	3,058	3,321	-7.92%
Capital assets	3,708	3,974	6	10	3,714	3,984	-6.78%
<b>Total assets</b>	<u>6,732</u>	<u>7,273</u>	<u>40</u>	<u>32</u>	<u>6,772</u>	<u>7,305</u>	<u>-7.30%</u>
Current liabilities	1,737	1,757	-	-	1,737	1,757	-1.14%
Non-current liabilities	1,450	1,512	-	-	1,450	1,512	0.00%
<b>Total liabilities</b>	<u>3,187</u>	<u>3,269</u>	<u>-</u>	<u>-</u>	<u>3,187</u>	<u>3,269</u>	<u>-2.51%</u>
Net Assets							
Invested in capital assets, net of related debt	2,258	2,464	6	10	2,264	2,474	-8.49%
Restricted	647	521	-	-	647	521	24.18%
Unrestricted	640	1,019	34	22	674	1,041	-35.25%
<b>Total net assets</b>	<u>3,545</u>	<u>4,004</u>	<u>40</u>	<u>32</u>	<u>3,585</u>	<u>4,036</u>	<u>-11.17%</u>

Unrestricted net assets decreased by 35% due to a decrease in the General Fund. Capital assets decreased by 8% as depreciation expenses exceeded new purchases of capital assets. Restricted assets grew due a \$100,000 increase in the Capital Projects Fund.

Changes in net assets - figure A-4 shows the changes in net assets for the year ended June 30, 2006 and 2005.

**Figure A-4**  
**Change in Net Assets**  
**(expressed in thousands)**

	<b>Governmental Activities</b>		<b>Business type Activities</b>		<b>Total School District</b>		<b>Total Change</b>
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2005-06</b>
	\$	\$	\$	\$	\$	\$	%
Revenues:							
Program revenues:							
Charges for service and sales	212	384	84	75	296	459	-35.51%
Operating grants, contributions and restricted interest	585	239	90	85	675	324	108.33%
Capital grants	-	125	-	-	-	125	-100.00%
General revenues:							
Property tax	1,447	1,805	-	-	1,447	1,805	-19.83%
Income surtax	120	-	-	-	120	-	100.00%
Local option sales tax	179	181	-	-	179	181	-1.10%
Unrestricted state grants	1,174	1,260	-	-	1,174	1,260	-6.83%
Unrestricted investment earnings	17	23	-	-	17	23	-26.09%
Other	3	86	-	-	3	86	-96.51%
Total revenues	<u>3,737</u>	<u>4,103</u>	<u>174</u>	<u>160</u>	<u>3,911</u>	<u>4,263</u>	<u>-8.26%</u>
Program expenses:							
Governmental activities:							
Instruction	2,486	2,252	-	-	2,486	2,252	10.39%
Support Services	1,334	1,142	-	-	1,334	1,142	16.81%
Non-instructional programs	-	-	167	162	167	162	3.09%
Other expenses	380	175	-	-	380	175	117.14%
Total expenses	<u>4,200</u>	<u>3,569</u>	<u>167</u>	<u>162</u>	<u>4,367</u>	<u>3,731</u>	<u>17.05%</u>
Change in net assets	<u>(463)</u>	<u>534</u>	<u>7</u>	<u>(2)</u>	<u>(456)</u>	<u>532</u>	<u>-185.71%</u>

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 87% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$3,736,557 and expenses were \$4,199,765.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(expressed in thousands)**

	Total Cost of Services		Net Change	Net Cost of Services		Net Change
	2006	2005	2005-06	2006	2005	2005-06
	\$	\$		\$	\$	
Instruction	2,486	2,252	10.39%	1,818	1,742	4.36%
Support Services	1,334	1,142	16.81%	1,322	1,142	15.76%
Other expenses	<u>380</u>	<u>175</u>	<u>117.14%</u>	<u>263</u>	<u>(63)</u>	<u>-517.46%</u>
Totals	<u>4,200</u>	<u>3,569</u>	<u>17.68%</u>	<u>3,403</u>	<u>2,821</u>	<u>20.63%</u>

- The cost financed by users of the District's programs was \$212,314.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$283,031.
- The net cost of governmental activities was financed with \$1,147,272 in property tax, \$1,174,335 in state foundation aid, and \$16,617 in interest income.

## Proprietary-Type Funds

Revenues for the District's School Nutrition Fund were \$173,927 and expenses were \$166,629. The revenues include charges for services, contributions, and federal and state reimbursements.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Armstrong-Ringsted Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$3,540,364, which is 12% less than last year's ending fund balance of \$4,003,572.

## GOVERNMENTAL FUND HIGHLIGHTS

- The District enjoys a 15% solvency ratio.
- The school infrastructure sales is collected in all counties. This will aid the school in future infrastructure projects. Revenues exceeded expenditures by almost \$100,000 this year.

## **Proprietary Fund Highlights**

School Nutrition Fund net assets increased by over \$7,000 in Fiscal 2006.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

It is the District's practice, as is in most Iowa school district, to budget expenditures at or about the maximum authorized spending. As a result, the District's certified budget should always exceed the actual expenditures for the year.

Actual revenue exceeded budgeted amounts primarily due to increases in tuition income and federal grant activity.

## **CAPITAL ASSETS**

The District has invested more than \$3.7 million, net of accumulated depreciation, by the end of fiscal year 2006 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. The District made improvements and updated equipment at all facilities during the year. Total depreciation expenses for the year exceeded \$170,000.

## **LONG-TERM DEBT**

The District has \$1,450,000 in outstanding general obligation bonds they will fully mature in 2022.

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District will need to monitor payroll expenses as they account for the vast majority of the budget.
- Alternative sources must be found due to funding inconsistencies on the parts of the federal and state governments.
- Enrollment increases and decreases will play a large part in determining the District's finances on an year to year basis. The legislature needs to ensure adequate allowable growth to properly fund education.
- Sharing students and/or programs continues to be looked into.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Deb Obbink, District Business Manager, Armstrong-Ringsted Community School District, PO Box 75, Armstrong, IA 50514-0075.

## Basic Financial Statements

## ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	1,246,481	22,244	1,268,725
Receivables:			
Property tax:			
Current year	30,081	-	30,081
Succeeding year	1,637,475	-	1,637,475
Income surtax - succeeding year	95,479	-	95,479
Due from other governments	13,411	-	13,411
Other receivables	1,146	24	1,170
Inventories	-	11,798	11,798
Capital assets, net of accumulated depreciation	3,708,107	5,541	3,713,648
<b>Total assets</b>	<u>6,732,180</u>	<u>39,607</u>	<u>6,771,787</u>
<b>Liabilities</b>			
Accounts payable	99,381	-	99,381
Accrued interest payable	4,960	-	4,960
Deferred revenue:			
Succeeding year property tax	1,637,475	-	1,637,475
Long-term liabilities:			
General obligation bonds payable - current portion	60,000	-	60,000
General obligation bonds payable - long-term	1,390,000	-	1,390,000
<b>Total liabilities</b>	<u>3,191,816</u>	<u>-</u>	<u>1,741,816</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,258,107	5,541	2,263,648
Restricted for:			
Management levy	180,026	-	180,026
Physical plant and equipment levy	279,600	-	279,600
Capital projects	184,864	-	184,864
Debt service	2,341	-	2,341
Unrestricted	635,426	34,066	669,492
<b>Total net assets</b>	<u>3,540,364</u>	<u>39,607</u>	<u>3,579,971</u>

See notes to financial statements.

## ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2006

	Program Revenues					Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
	\$	\$	\$	\$	\$	\$
<b><u>Functions/Programs</u></b>						
Governmental activities:						
Instruction:	2,485,767	212,314	455,105	(1,818,348)	-	(1,818,348)
Support services:						
Student services	79,631	-	-	(79,631)	-	(79,631)
Instructional staff services	82,658	-	-	(82,658)	-	(82,658)
Administration services	404,756	-	-	(404,756)	-	(404,756)
Operation and maintenance of plant services	568,059	-	11,797	(556,262)	-	(556,262)
Transportation services	199,062	-	456	(198,606)	-	(198,606)
	1,334,166	-	12,253	(1,321,913)	-	(1,321,913)
Other expenditures:						
AEA flowthrough	113,850	-	113,850	-	-	-
Long term debt interest	60,623	-	303	(60,320)	-	(60,320)
Long term debt services	350	-	-	(350)	-	(350)
Facilities acquisition and construction	39,969	-	3,132	(36,837)	-	(36,837)
Depreciation (unallocated)*	165,040	-	-	(165,040)	-	(165,040)
	379,832	-	117,285	(262,547)	-	(262,547)
Total governmental activities	4,199,765	212,314	584,643	(3,402,808)	-	(3,402,808)



ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

	Program Revenues					Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
	\$	\$	\$	\$	\$	\$
Business type activities:						
Non-instructional programs:						
Nutrition services	166,629	83,923	90,004	-	7,298	7,298
Total	4,366,394	296,237	674,647	(3,402,808)	7,298	(3,395,510)
General revenues:						
Property tax levied for:						
General purposes				1,162,358	-	1,162,358
Management levy				49,982	-	49,982
Capital outlay				114,242	-	114,242
Debt service				120,690	-	120,690
Income surtax				120,066	-	120,066
Local option sales taxes				178,843	-	178,843
Unrestricted state grants				1,174,335	-	1,174,335
Unrestricted investment earnings				16,617	-	16,617
Loss on capital assets disposal				(183,301)	-	(183,301)
Other				185,768	-	185,768
Total general revenue				2,939,600	-	2,939,600
Change in net assets				(463,208)	7,298	(455,910)
Net assets beginning of year				4,003,572	32,309	4,035,881
Net assets end of year				3,540,364	39,607	3,579,971

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.  
See notes to financial statements.

## ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2006

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Cash and pooled investments	543,630	277,953	171,453	298	253,147	1,246,481
Receivables:						
Property tax:						
Current year	25,527	1,647	-	2,043	864	30,081
Succeeding year	1,340,326	107,325	-	119,824	70,000	1,637,475
Income surtax - succeeding year	95,479	-	-	-	-	95,479
Due from other governments	-	-	13,411	-	-	13,411
Accrued interest receivable	-	-	-	-	-	-
Other receivables	-	-	-	-	1,146	1,146
Prepaid expenses	-	-	-	-	#REF!	#REF!
<b>Total assets</b>	<u>2,004,962</u>	<u>386,925</u>	<u>184,864</u>	<u>122,165</u>	<u>#REF!</u>	<u>#REF!</u>
<b>Liabilities and Fund Balance</b>						
Liabilities:						
Accounts payable	97,769	-	-	-	1,612	99,381
Deferred revenue:						
Succeeding year property tax	1,340,326	107,325	-	119,824	70,000	1,637,475
Succeeding year income surtax	95,479	-	-	-	-	95,479
Total liabilities	<u>1,533,574</u>	<u>107,325</u>	<u>-</u>	<u>119,824</u>	<u>71,612</u>	<u>1,832,335</u>
Fund balances:						
Reserved for capital projects	-	-	184,864	-	-	184,864
Reserved for debt service	-	-	-	2,341	-	2,341
Unreserved	<u>471,388</u>	<u>279,600</u>	<u>-</u>	<u>-</u>	<u>#REF!</u>	<u>#REF!</u>
Total fund balances	<u>471,388</u>	<u>279,600</u>	<u>184,864</u>	<u>2,341</u>	<u>#REF!</u>	<u>#REF!</u>
<b>Total liabilities and fund balances</b>	<u>2,004,962</u>	<u>386,925</u>	<u>184,864</u>	<u>122,165</u>	<u>#REF!</u>	<u>#REF!</u>

See notes to financial statements.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2006

Total fund balances of governmental funds (Exhibit C)	#REF!
Amounts reported for governmental activities in the statement of net assets are different because:	
Income surtax receivable at June 30, 2006 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	95,479
Capital assets used in governmental activities are not assets in the governmental funds.	3,708,107
Accrued interest payable on long-term liabilities is not due and payable in the current period and , therefore, is not reported as a liability in the governmental funds.	(4,960)
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
General obligation bonds payable	<u>(1,450,000)</u>
Net assets of governmental activities (Exhibit A)	<u><u>#REF!</u></u>

## ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2006

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	1,282,424	114,242	178,843	120,690	49,982	1,746,181
Tuition	212,314	-	-	-	-	212,314
Other	106,906	6,013	3,132	303	178,314	294,668
State sources	1,458,858	-	-	-	-	1,458,858
Federal sources	112,358	-	-	-	-	112,358
Total revenues	<u>3,172,860</u>	<u>120,255</u>	<u>181,975</u>	<u>120,993</u>	<u>228,296</u>	<u>3,824,379</u>
Expenditures:						
Current:						
Instruction:	<u>2,318,922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>166,845</u>	<u>2,485,767</u>
Support services:						
Student services	79,631	-	-	-	-	79,631
Instructional staff services	82,658	-	-	-	-	82,658
Administration services	322,015	-	-	-	85,147	407,162
Operation and maintenance	524,423	83,605	-	-	-	608,028
Transportation services	199,062	-	-	-	-	199,062
	<u>1,207,789</u>	<u>83,605</u>	<u>-</u>	<u>-</u>	<u>85,147</u>	<u>1,376,541</u>
Other expenditures:						
AEA flowthrough	113,850	-	-	-	-	113,850
Long term debt principal	-	-	-	60,000	-	60,000
Long term debt interest	-	-	-	60,723	-	60,723
Long term debt services	-	-	-	350	-	350
Facilities acquisition and construction	-	-	82,365	-	-	82,365
	<u>113,850</u>	<u>-</u>	<u>82,365</u>	<u>121,073</u>	<u>-</u>	<u>317,288</u>
Total expenditures	<u>3,640,561</u>	<u>83,605</u>	<u>82,365</u>	<u>121,073</u>	<u>251,992</u>	<u>4,179,596</u>
Net change in fund balance	<u>(467,701)</u>	<u>36,650</u>	<u>99,610</u>	<u>(80)</u>	<u>(23,696)</u>	<u>(355,217)</u>
Fund balances beginning of year	<u>939,089</u>	<u>242,950</u>	<u>85,254</u>	<u>2,421</u>	<u>277,241</u>	<u>1,546,955</u>
Fund balances end of year	<u>471,388</u>	<u>279,600</u>	<u>184,864</u>	<u>2,341</u>	<u>253,545</u>	<u>1,191,738</u>

See notes to financial statements.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2006

Net change in fund balances - total governmental funds (Exhibit E) \$ (355,217)

Amounts reported for governmental activities in the  
statement of activities are different because:

Income surtax receivable at June 30, 2006 is not recognized as income  
until received in the governmental funds, however it is shown as a  
revenue in the Statement of Activities. 95,479

Capital outlays to purchase or build capital assets are reported in  
governmental funds as expenditures. However, those costs are  
reported in the Statement of Net Assets and are allocated over their  
estimated useful lives as depreciation expense in the Statement of  
Activities. The amounts of depreciation expense in the year are as follows:

Capital outlays	82,365
Depreciation expense	(165,040)

Undepreciated basis in discarded capital assets (183,301)

Interest on long-term debt in the Statement of Activities differs from  
the amount reported in the governmental funds because interest is  
recorded as an expenditure in the funds when due. In the Statement  
of Activities, interest expense is recognized as the interest accrues,  
regardless of when it is due. 100

Repayments of long-term liabilities use current financial  
resources to governmental funds, but repaying debt decreases long-term  
liabilities in the Statement of Net Assets.

Payment of compensated absences	2,406
Repayment of general obligation bonds	<u>60,000</u>

Change in net assets of governmental activities (Exhibit B) \$ (463,208)

## ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Fund

Year ended June 30, 2006

	<u>School Nutrition</u>
	\$
Operating revenue:	
Local sources:	
Charges for services	<u>83,923</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	71,602
Benefits	7,984
Supplies	82,024
Depreciation	<u>5,019</u>
Total operating expenses	<u>166,629</u>
Operating (loss)	<u>(82,706)</u>
Non-operating revenues:	
State sources	2,669
Federal sources	86,864
Interest income	<u>471</u>
	<u>90,004</u>
Changes in net assets	7,298
Net assets beginning of year	<u>32,309</u>
Net assets end of year	<u>39,607</u>

See notes to financial statements.

## ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2006

	School Nutrition
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	84,156
Cash payments to employees for services	(79,586)
Cash payments to suppliers for goods or services	<u>(72,847)</u>
Net cash (used in) operating activities	<u>(68,277)</u>
Cash flows from non-capital financing activities:	
State grants received	2,669
Federal grants received	<u>75,948</u>
Net cash provided by non-capital financing activities	<u>78,617</u>
Cash flows from investing activities:	
Interest on investments	<u>471</u>
Net increase in cash and cash equivalents	10,811
Cash and cash equivalents beginning of year	<u>11,433</u>
Cash and cash equivalents end of year	<u>22,244</u>
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>	
Operating (loss)	(82,706)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	5,019
Commodities used	10,916
Decrease in other receivables	233
(Increase) in inventory	<u>(1,739)</u>
	<u>(68,277)</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Cash	<u>22,244</u>
<b>Non-cash investing, capital and financing activities:</b>	

During the year ended June 30, 2006, the District received federal commodities valued at \$10,916.

See notes to financial statements.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2006

	Agency Funds
	<hr/>
	\$
<b>Assets</b>	
Cash and pooled investments	41,192
<b>Liabilities</b>	
Other payables	<hr/> 41,192
<b>Net Assets</b>	
Reserved for special purposes	<hr/> -

See notes to financial statements.



**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**

**Notes to Financial Statements**

**June 30, 2006**

**(1) Summary of Significant Accounting Policies**

Armstrong-Ringsted Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Armstrong and Ringsted, Iowa, and agricultural area in Palo Alto, Emmett and Kossuth Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Armstrong-Ringsted Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Armstrong-Ringsted Community School District has no component units which meet the Governmental Accounting Standards Board criteria. However, the District has chosen to include as Agency Funds, all of the organizations included in Schedule 4 (except Flex 125 Plan). The Flex 125 Plan was previously included in the District's financial statements.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Palo Alto, Kossuth and Emmett County Assessor Conference Boards.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Physical Plant and Equipment Levy is used to account for the purchase of equipment and the repairing, remodeling and construction of buildings and land improvements.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. the District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

#### C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Investments and Cash Equivalents - The cash balances of most District funds are invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa and grants from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2006.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures did not exceed the amounts budgeted in any of the four functions.

### (2) **Cash and Investments**

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2006.

### (3) **Capital Assets**

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 20,000	-	-	20,000
Capital assets being depreciated:				
Site improvements	-	18,519	-	18,519
Buildings	5,834,933	23,877	111,862	5,746,948
Furniture and equipment	688,161	39,969	71,439	656,691
Total capital assets being depreciated	6,523,094	82,365	183,301	6,422,158
Less accumulated depreciation for:				
Site improvements	-	463	-	463
Buildings	2,248,839	122,131	-	2,370,970
Furniture and equipment	320,172	42,446	-	362,618
Total accumulated depreciation	2,569,011	165,040	-	2,734,051
Total capital assets being depreciated, net	3,954,083	(82,675)	183,301	3,688,107
Governmental activities, capital assets, net	\$ 3,974,083	(82,675)	183,301	3,708,107

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Furniture and equipment	57,660	-	47,100	10,560
Less accumulated depreciation	<u>47,100</u>	<u>5,019</u>	<u>47,100</u>	<u>5,019</u>
Business type activities capital assets, net	<u>\$ 10,560</u>	<u>(5,019)</u>	<u>-</u>	<u>5,541</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Unallocated \$ 165,040

Business Type activities:

Food service operations \$ 5,019

#### **(4) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$117,295, \$119,032, and \$111,268 respectively, equal to the required contributions for each year.

#### **(5) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$113,850 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

#### **(6) Risk Management**

Armstrong-Ringsted Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) Bonds Payable**

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u> %	<u>Interest</u> \$	<u>Principal</u> \$	<u>Total</u> \$
2007	3.00	59,522	60,000	119,522
2008	3.00	57,722	65,000	122,722
2009	3.00	55,773	70,000	125,773
2010	3.30	53,673	70,000	123,673
2011	3.50	51,362	75,000	126,362
2012	3.70	48,737	80,000	128,737
2013	3.90	45,777	80,000	125,777
2014	4.00	42,658	85,000	127,658
2015	4.10	39,258	90,000	129,258
2016	4.25	35,567	95,000	130,567
2017	4.40	31,530	100,000	131,530
2018	4.50	27,130	105,000	132,130
2019	4.60	22,405	110,000	132,405
2020	4.70	17,345	115,000	132,345
2021	4.75	11,940	120,000	131,940
2022	4.90	<u>6,240</u>	<u>130,000</u>	<u>136,240</u>
Total		<u>606,639</u>	<u>1,450,000</u>	<u>2,056,639</u>

**(8) Changes in Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2006 is as follows:

	<u>General Obligation Bonds</u>
Balance beginning of year	\$1,510,000
Additions	-
Reductions	<u>60,000</u>
Balance end of year	<u>\$1,450,000</u>

## Required Supplementary Information



**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Original</u>	<u>Final</u>	<u>Variance -</u>
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,253,163	84,394	2,337,557	2,346,256	2,346,256	(8,699)
State sources	1,458,858	2,669	1,461,527	1,859,576	1,859,576	(398,049)
Federal sources	112,358	86,864	199,222	188,000	188,000	11,222
Total revenues	<u>3,824,379</u>	<u>173,927</u>	<u>3,998,306</u>	<u>4,393,832</u>	<u>4,393,832</u>	<u>(395,526)</u>
Expenditures:						
Instruction	2,485,767	-	2,485,767	2,691,250	2,691,250	205,483
Support services	1,376,541	-	1,376,541	1,625,000	1,625,000	248,459
Non-instructional programs	-	166,629	166,629	185,000	185,000	18,371
Other expenditures	317,288	-	317,288	596,581	596,581	279,293
Total expenditures	<u>4,179,596</u>	<u>166,629</u>	<u>4,346,225</u>	<u>5,097,831</u>	<u>5,097,831</u>	<u>751,606</u>
Excess (deficiency) of revenues over (under) expenditures	(355,217)	7,298	(347,919)	(703,999)	(703,999)	356,080
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(355,217)	7,298	(347,919)	(703,999)	(703,999)	356,080
Balance beginning of year	<u>1,546,955</u>	<u>32,309</u>	<u>1,579,264</u>	<u>966,981</u>	<u>966,981</u>	<u>612,283</u>
Balance end of year	<u><u>1,191,738</u></u>	<u><u>39,607</u></u>	<u><u>1,231,345</u></u>	<u><u>262,982</u></u>	<u><u>262,982</u></u>	<u><u>968,363</u></u>

See accompanying independent auditor's report.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

## Other Supplementary Information

## ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Special Revenue Funds

June 30, 2006

	<u>Management</u>	<u>Student</u> <u>Activity</u>	<u>Total</u>
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	179,189	73,958	253,147
Property tax receivable:			
Current year	864	-	864
Succeeding year	70,000	-	70,000
Other receivables	<u>-</u>	<u>1,146</u>	<u>1,146</u>
<b>Total assets</b>	<u>250,053</u>	<u>75,104</u>	<u>325,157</u>
<b>Liabilities and Fund Balance</b>			
Liabilities:			
Accounts payable	27	1,585	1,612
Deferred revenue:			
Succeeding year property tax	<u>70,000</u>	<u>-</u>	<u>70,000</u>
	<u>70,027</u>	<u>1,585</u>	<u>71,612</u>
Fund balance:			
Unreserved fund balance	<u>180,026</u>	<u>73,519</u>	<u>253,545</u>
	<u>180,026</u>	<u>73,519</u>	<u>253,545</u>
<b>Total liabilities and fund balances</b>	<u>250,053</u>	<u>75,104</u>	<u>325,157</u>

See accompanying independent auditor's report.

## ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Special Revenue Funds

Year ended June 30, 2006

	<u>Management</u>	<u>Student</u> <u>Activity</u>	<u>Total</u>
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	49,982	-	49,982
Other	<u>5,784</u>	<u>172,530</u>	<u>178,314</u>
Total revenues	<u>55,766</u>	<u>172,530</u>	<u>228,296</u>
Expenditures:			
Instruction:	-	166,845	166,845
Support services:			
Administrative services	<u>85,147</u>	<u>-</u>	<u>85,147</u>
Total expenditures	<u>85,147</u>	<u>166,845</u>	<u>251,992</u>
Excess of revenues over expenditures	(29,381)	5,685	(23,696)
Fund balances beginning of year	<u>209,407</u>	<u>67,834</u>	<u>277,241</u>
Balance end of year	<u>180,026</u>	<u>73,519</u>	<u>253,545</u>

See accompanying independent auditor's report.

## ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue, Student Activity Accounts

Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Foreign Language Club	568	5,156	3,238	2,486
Interest	4,479	998	-	5,477
Student Council - High School	691	860	1,339	212
Class of 2009	-	1,308	1,165	143
Class of 2008	533	18,020	9,591	8,962
Class of 2007	6,028	3,078	2,438	6,668
Class of 2006	5,020	17,371	16,372	6,019
Class of 2005	5,755	-	5,755	-
Class of 2004	174	-	174	-
Athletics	1,325	55,933	58,412	(1,154)
Art Club	274	-	-	274
Drama Club	(1,039)	686	943	(1,296)
Student Educational	95	158	253	-
Jr/Sr High - Student Needs	3,707	21,389	21,513	3,583
Vocal	1,050	5,044	2,285	3,809
Music Fund Raising	896	-	-	896
Instrumental	1,756	1,168	1,283	1,641
Honor Society	849	235	947	137
Petty Cash	240	-	-	240
Community Ed/Recreation	3,079	258	-	3,337
Library Book Fair	213	4,650	3,822	1,041
Elementary - Student Needs	7,105	12,608	12,108	7,605
Middle School - Student Council	1,745	-	143	1,602
FCCLA	1,279	1,509	1,186	1,602
FFA	6,698	13,437	18,471	1,664
Drill Team	530	3,231	4,120	(359)
Cheerleaders	(49)	1,077	883	145
Technology Funds (POP)	14,833	4,356	404	18,785
Totals	67,834	172,530	166,845	73,519

See accompanying independent auditor's report.

## ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2006

Account	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
Flex 125 Plan	6,882	32,694	35,405	4,171
Music Boosters	-	47,942	19,872	28,070
Athletic Boosters	-	19,009	13,867	5,142
Harris	-	944	944	-
Post Prom	-	11,389	9,172	2,217
PTC	-	1,665	996	669
A/R Helps	-	973	50	923
	<u>6,882</u>	<u>114,616</u>	<u>80,306</u>	<u>41,192</u>

See accompanying independent auditor's report.

## ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,746,181	2,098,077	2,168,354	2,155,361
Tuition	212,314	224,679	225,388	177,070
Other	294,668	268,605	221,619	252,402
State sources	1,458,858	1,260,638	1,962,192	1,102,784
Federal sources	112,358	251,576	129,948	60,594
Total	<u>3,824,379</u>	<u>4,103,575</u>	<u>4,707,501</u>	<u>3,748,211</u>
Expenditures:				
Instruction:	2,485,767	2,321,291	2,187,923	2,204,189
Support services:				
Student services	79,631	49,275	50,953	63,044
Instructional staff services	82,658	63,851	57,982	61,861
Administration services	407,162	421,238	408,665	329,835
Operation and maintenance of plant	608,028	280,037	244,612	340,633
Transportation services	199,062	195,960	144,750	229,499
Central support services	-	-	-	1,072
Non-instructional programs:				
Food service operations	-	-	779	-
Other expenditures:				
Facilities acquisition and construction	82,365	434,042	2,560,698	411,609
Long-term debt:				
Principal	60,000	55,000	35,000	-
Interest and other charges	60,723	61,772	78,178	-
Services	350	350	350	-
AEA Flowthrough	113,850	112,875	112,778	120,525
Total	<u>4,179,596</u>	<u>3,995,691</u>	<u>5,882,668</u>	<u>3,762,267</u>

See accompanying independent auditor's report.



**Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

To the Board of Education of the  
Armstrong-Ringsted Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Armstrong-Ringsted Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 11, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Armstrong-Ringsted Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 06-I-A is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Armstrong-Ringsted Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no immaterial instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Armstrong-Ringsted Community School District and other parties to whom Armstrong-Ringsted Community School District may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Armstrong-Ringsted Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

**BRUCE D. FRINK**  
**Certified Public Accountant**

January 11, 2007

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

06-I-A      Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

**Part II: Other Findings Related to Required Statutory Reporting:**

06-II-A      Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2006.

06-II-B      Certified Budget - Expenditures for the year ended June 30, 2006, did not exceed the certified budget amounts in any of the four functions.

06-II-C      Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

06-II-D      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

06-II-E      Business Transactions - No business transactions between the District and District officials or employees were noted.

06-II-F      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

**Part II: Other Findings Related to Required Statutory Reporting:**  
**(continued):**

- 06-II-G      Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- 06-II-H      Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 06-II-I      Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 06-II-J      Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.